

# Doing the deal What the world leaders agreed

**Restoring growth**  
Gordon Brown claimed that the world was already committed to a fiscal expansion that would total \$5 trillion by the end of next year. In agreeing that the IMF should monitor whether countries have injected enough cash into their economies, he kept open the prospect of another co-ordinated stimulus, possibly to be announced in September. The G20 members agreed not to seek to drive down the value of their currencies to gain an advantage as countries scrap for export orders.

**Repairing banking**  
The leaders agreed to regulate very large hedge funds. At present, the funds are under no requirement to disclose their trading positions or reveal how much capital they hold. The summit also agreed to clamp down on credit rating agencies, which are accused of manipulating the credit crisis as some investments which were apparently rock-solid turned out to be very risky. Individual nations will also force banks to build up larger cash cushions against future financial crises.

**Rebuilding trust**  
The agreement to impose sanctions on tax havens by the end of the year was part of a package to "rebuild trust". What decisions will be taken against which countries will be decided by further talks. Members agreed to "tough new principles" on bankers' pay, although there was no cap, as wanted by some. Mr Brown said that the rules meant that there would be "no more rewards for failure".

**Funding and reforming the IMF**  
An existing agreement to double the IMF's funding to \$500 billion was expanded to increase the fund's firefighting resources to £750 billion, with contributions including \$40 billion from China. The IMF will also be able to borrow cash on the market. Its coffers have been depleted as it has helped Eastern European countries. The surprise move was a one-off \$250 billion allocation — in effect printing money — intended to provide insurance against future currency crises.

**Promoting global trade**  
The summit agreed to make available at least \$250 billion until 2011 to fund trade finance through export credit and investment agencies. The \$250 billion is effectively \$50 billion, which is recycled over the two years to fund short-term loans for exporters, thereby stimulating global trade. It was needed because many banks stopped lending for ventures outside their domestic boundaries for fear that loans might not be repaid. The money also helps exporters to cope with foreign-currency fluctuations.

**A green and sustainable recovery**  
Britain forced through a deal to use part of the proceeds from a sale of IMF gold reserves to help to set up a new \$50 billion fund for the world's poorest nations. The summit "recommitted" members to existing pledges on aid and climate change.

Analysis by Francis Elliott, Suzy Jagger and Gary Duncan

## What they said, what they meant Analysis by Philip Collins

### Sarkozy

"Since Bretton Woods, the world has been living on a financial model — it's not my place to criticise it, it has its advantages. Clearly, today, a page has been turned."

PC:

He just can't help himself. With a written speech, the contradiction between claiming not to criticise and then gleefully turning a page would never make it past the first draft.

"The G20 countries have decided on a commitment by heads of state and government to strengthen regulation and supervision of financial activities. That was a priority for Germany and France."

PC:

All leaders like to go home and proclaim victory. Having identified the enemy, Sarkozy then claims that the main outcome of the summit has been the regulation he wanted all along. The need for glory at home means he overstates what is, in fact, just an agreement to agree.

### Obama

"By any measure, the London Summit was historic. It was historic because of the size and the scope of the challenge that we face and because of the timeliness and the magnitude of our response."

PC:

Obama is more interesting to listen to than all the others. He has a lovely rhythm to his voice and his cadence is matched by the symmetry of the sentence. He says in a sentence what the others are struggling for in a paragraph.

"We (US) exercise our leadership best when we are listening; and when we lead by example, when we show some element of humility. I am committed to respecting different points of view, and to forging a consensus instead of dictating terms."

PC:

This is going to be hard to live up to. Obama promises to conduct his diplomacy this way in future. There is a hint of exaggeration in this. Exaggeration quickly becomes a hostage to fortune.

### Berlusconi

"On the Doha Trade Round we decided we will look more closely at the issue and fix a meeting at Maddalena to make a final decision. Everyone thought it was necessary to keep the crisis under control and verify whether the measures had positive results or whether to add more steps to those taken."

PC:

A study in platitudes, an exercise in emptiness, and it was the best thing he said too. Apply the law of absurd opposites to this one. Anyone out there thinking we didn't need to keep the crisis under control?

### Medvedev

"I would like to say that this is a turning point... but as a responsible man I cannot say this. Twenty or 25 years ago one could not even imagine that such different countries with such different economies, such different mentalities and historic traditions, would sit at the table and could agree in such a difficult situation on how to act, especially so quickly."

PC:

Some lukewarm water from Medvedev. Compare this with Zapatero. Are they at the same summit? Maybe the translation got lost. But his second point is a profound one, delivered in almost melancholy fashion.

### Brown

"This is the day that the world came together, to fight back against the global recession. Not with words, but a plan for global recovery and for reform and with a clear timetable."

PC:

Spoken with great authority and force, the Prime Minister is in his element here. This was a Budget speech from yesterday. Brown is a better speaker than he is a writer and when his material is written in numbers he does justice to it.

PC:

"This is a comprehensive programme of measures that includes for the first time bringing the shadow banking system, including hedge funds, within the global regulatory net. We also agreed we'd increase the amount of money available to the international economy by up to a trillion dollars."

PC:

Brown is a master of rhetorical disguise. Nobody would know, from the confident delivery, that the first two items are not central to the crunch and that the third is not the

global New Deal that he wanted. Always be suspicious when such a large number rounds up so neatly.

"Since our last meeting in Washington, G20 countries have announced, and are now implementing, the largest macro-economic stimulus the world has ever seen."

This is, again, not the upshot of the meeting. But Brown is building a sense of an unprecedented moment and a turning point.

"We will do whatever is necessary to come through this difficult time, that is why we have agreed to meet again later this year."

PC:

This is a parting shot with echoes for British politics: 'we will do what we have to, they would do nothing'. Expect the first speech of the next summit to claim that this London summit was the beginning of the recovery.

### Rudd

"Today's agreement begins to crack down on the cowboys in financial markets that have brought global markets undone with real impact on jobs everywhere."

PC:

You'll be allowed to say this in Australia. In fact it's compulsory. British speech still seems somehow 18th-century when the Australian Prime Minister speaks. It's too demotic for some tastes but the clarity is refreshing. That doesn't make the sentence grammatical, though.

### Zapatero

"We have set in motion the greatest concerted plan of fiscal expansion in history. It is unprecedented. It reaches five trillion... This amount will contribute in a decisive way to facilitate a recovery of the world economy and to preserve millions of jobs."

PC:

The most effusive speech of the lot. What Brown does by gravitas, Zapatero does by gushing. This would be considered a serious hostage to fortune for a political leader under more pressure

### Merkel

"We have agreed to set up a clear financial market architecture. We have taken an important step towards creating order in an area in which the world there was previously no order."

PC:

Merkel uses exactly the same words in her address after the communiqué as she did before. Anyone would think she knew what was in it. Note too the barbed suggestion that there was previously no "order". This is every bit as much the voice of a bureaucrat as we usually get from Gordon Brown.

"It is a victory for reason that the things that got us into this crisis are not allowed to be repeated. That is what I wanted. We have succeeded, with British help, to convince everyone that such a list is possible"

PC:

"Who is the enemy here? Merkel exonerates Britain and thereby 'everyone' in the final sentence can only be the Americans. The summit has forced them to submit to the victory of reason."



## Summit success How good was it for them?

- 1 Dominique Strauss-Kahn, IMF managing director
- 2 José Manuel Barroso, President of the European Commission
- 3 Lee Myung Bak, South Korea Success will be judged in terms of action against protectionism but will be disappointed at lack of progress on Doha Round of world trade talks. As next president of G20 can look forward to an important summit next year. Summit success rating 2/5
- 4 Ban Ki Moon, UN Secretary-General
- 5 Manmohan Singh, India Acceptance that Doha trade round

- 6 cannot be completed before election takes pressure off. IMF reform welcomed 4/5
- 7 Nicolas Sarkozy, France Grandstanding on need for tougher financial regulation had secured victory before summit even started. Rhetoric on clamping down on tax havens "within days" seemed risky, but vindication came immediately after summit. 3/5
- 8 Recep Tayyip Erdogan, Turkey Currently in middle of being bailed

- 9 King Abdullah Bin Abdul Aziz, Saudi Arabia Delighted at first meeting with Obama, pleased at measures to slow the collapse in world trade 2/5
- 10 Abhisit Vejjajiva, Thai Prime Minister and chair of the Association of Southeast Asian Nations
- 11 Barack Obama, United States In brokering tax haven deal, he won his summitry spurs. Pleased to have dodged commitments on world trade and European attempts to impose

- 12 supra-national financial regulatory body. Disappointed China agreed only additional \$40 billion for the IMF. 3/5
- 13 Hu Jintao, China Able to head off attempts to force China to hand over more money to IMF; keeping bill to \$40 billion. Lost battle with Sarkozy to prevent OECD blacklisting of tax havens, and did not want to see the sale of gold reserves. Can now expect bigger voting rights in international financial institutions, in return. 2/5
- 14 Dmitry Medvedev, Russia Did not get its proposal for a new supra-national currency, which was left off the agenda of the summit. Agreed a US-Russia attempt to reduce the nuclear stockpile. 2/5
- 15 Gordon Brown, United Kingdom May have been unable to announce much in the way of a second fiscal stimulus but the \$1 trillion figure gave him a headline and officials were

- 16 G20 will not, however, happen then as it has been delayed until the autumn. Otherwise largely content to fall into line with the Paris-Berlin axis. 2/5
- 17 Kevin Rudd, Australia Delighted at moves to prop up currencies of neighbouring Asian economies, disappointed language on fiscal stimulus wasn't stronger. 3/5
- 18 Kgalema Motlanthe, South Africa

- 19 Pleased with IMF reform but suggested it was beginning, not end, of rebalancing of world economic bodies to reflect developing world 2/5
- 20 Lula Ignacio de Silva, Brazil Called for increase of IMF reserve fund to \$1 trillion but will be pleased with final amount. Pride that Brazil has moved from petitioner to IMF donor 2/5
- 21 Jan Peter Balkenende, The Netherlands Main concern was protectionism. Will be pleased that others are taking a share of the IMF burden 4/5

- 22 Susilo Bambang Yudhoyono, Indonesia Pleased at new deal on trade credits and access to new IMF reserves 3/5
- 23 Tarō Aso, Japan Pleased that others are matching Japan's IMF donation, disappointed there was no concrete action on fiscal stimulus. 4/5
- 24 José Luis Rodríguez Zapatero, Spain Regulating bankers' pay and cracking down on tax havens were key priorities. Will have enough to claim partial victory. May have wanted more on fiscal stimulus 2/5
- 25 Mirek Topolánek, Czech Prime

- 26 Minister and President of the European Council
- 27 Angela Merkel, Germany Called deal "almost historic" because it enabled her to claim that the world has turned a page on the Anglo Saxon economy. No mention in communiqué of future fiscal stimulus, which she strongly resisted 2/5
- 28 Felipe Calderón, Mexico Having agreed IMF bail-out, will be grateful for rhetoric on why stigma should not be attached to such rescues 3/5
- 29 Mario Draghi, Governor of the

- 30 Bank of Italy
- 31 Robert Zoellick, World Bank President
- 32 Cristina Fernández de Kirchner, Argentina Pleased at \$250 billion boost to trade credits. Falklands issue dealt with relatively quietly during Brown's visit to Chile last week 3/5
- 33 Stephen Harper, Canada Another member of Sarkozy cheerleaders, will claim absence of firm commitments on fiscal action as a victory. Embarrassed to have missed photo-call answering call of nature. 3/5